

RD AN No. 3447 (1940-L)  
February 23, 1999

TO: State Directors, Rural Development

ATTN: Staff Responsible for Community Facilities  
Loan Processing and Approval

FROM: Jan E. Shadburn  
Administrator  
Rural Housing Service

SUBJECT: Release of National Office Reserve Funds

**PURPOSE/INTENDED OUTCOME:**

This Administrative Notice (AN) is to provide information to field offices on the method of funding reserve requests for the Community Facilities (CF) direct, guaranteed, and grant programs in fiscal year (FY) 1999.

**COMPARISON WITH PREVIOUS AN:**

None

**IMPLEMENTATION RESPONSIBILITIES:**

Many States are expected to submit requests for additional funds from the National Office reserve in FY 1999. In the past, we have received far more requests for reserve funds than we have funds available.

Since regulations require decisions on applications to be based on a point system, we will utilize a State's points in making selections for projects to receive reserve funds. However, we try to spread the funds geographically while funding high-scoring projects with the funds available in the reserve. We make exceptions to this process based on the following administrative priorities in order of importance, as appropriate, when:

EXPIRATION DATE:  
February 28, 2000

FILING INSTRUCTIONS:  
Preceding RD Instruction 1940-L

1. There is a cost overrun (construction project) on a previous project for which additional funds are needed for completion;
2. A disaster or emergency situation arises;
3. A project is located in a State's targeted area (Empowerment Zone/Enterprise Community (EZ/EC), Champion Community, Pacific Northwest (PNW), or serves Native Americans);
4. A project provides child care services in a rural area; or
5. A State has not received an allocation large enough to fund one project.

Rural Housing Service will consider the following factors when funding projects from the National Office grant, direct, and guaranteed reserves:

1. All attempts to convert to a full guaranteed loan have been exhausted;
2. The State allocations for direct, guaranteed, and grant funds must be obligated or committed for other projects;
3. A project contains the highest portion of guaranteed funds based on the applicant's ability to make manageable debt service payments;
4. The project includes leveraging from other sources;
5. Grant, direct, or guaranteed loan funds are available to obligate a complete project.
6. The project is ready for obligation; and
7. Obligation dates for direct and guaranteed loans will occur simultaneously and on a parity basis.

Additionally, in FY 1999 there is a National Office pool of funds available for projects in EZ/EC areas. All EZ/EC earmarked funds not obligated by June 30, 1999, will revert to regular program use. We are holding (as a part of the CF National Office reserve) a specific amount of funds for projects in the PNW and for day care facilities. Below is the breakdown of reserve funds for the PNW initiative:

| <u>STATE</u> | <u>DIRECT</u> | <u>GUARANTEED</u> |
|--------------|---------------|-------------------|
| Alaska       | \$1,000,000   | \$1,000,000       |
| California   | \$1,200,000   | \$3,800,000       |
| Oregon       | \$3,000,000   | \$9,500,000       |
| Washington   | \$1,800,000   | \$5,700,000       |

The National Office CF grant reserve is approximately \$650,000. All requests for National Office CF grant reserves must be submitted by March 31, 1999. A substantial portion of the grant reserves will be dispersed soon thereafter. All approved applications for reserve funding must be ready for obligation before pooling on April 16, 1999. The present usage of allocated CF grant funds indicates that a minimal amount of funds will be pooled. A very small National Office reserve fund will be maintained for hardships and emergencies during the remainder of the fiscal year.